SENATE TAXATION
EXHIBIT NO. 9
DATE 3-30-07
BILL NO. SB-567

Part 1
General Provisions

Part Cross-References
Payment of taxes by electronic funds transfer, Title 15, ch. 1, part 8.

15-35-101. Legislative findings and declarations of purpose. (1) The legislature finds that although coal is extracted from the earth like metal minerals, there are differences between coal and metal minerals so that they should be classified in different categories for taxation purposes. The legislature finds that although coal can be used like petroleum products, there are differences between coal and petroleum so that they should be classified in different categories for taxation purposes. The legislature further finds that:

(a) coal is the only mineral that can supply energy while being easily found in abundance in Montana;

(b) coal is the only mineral that is so often marketed through sales contracts of many years' duration;

(c) coal, unlike most minerals, varies widely in composition and consequent value when marketed;

(d) coal in Montana is subject to regional and national demands for development that could affect the economy and environment of a larger portion of the state than any other mineral development has done;

(e) subbituminous coal and lignite coal in Montana have sufficiently different markets and value and therefore require different production taxes;

(f) coal produced in underground mines has higher production costs and underground producers are able to pay lesser amounts of royalty and production tax than strip-mine producers can pay;

(g) coal production in Montana has been subject to an uncoordinated array of taxes that overlap one another and yield revenue in an inconsistent and unpredictable manner; and

(h) coal used for the production of electricity near the coal mine by modern generating plants has significant statewide and nationwide economic, transportation, and environmental advantages that allow different production taxes.

(2) The legislature declares that the purposes of this chapter are to:

(a) allow the severance taxes on coal production to remain a constant percentage of the price of coal;

(b) stabilize the flow of tax revenue from coal mines to local governments through the property taxation system;

(c) simplify the structure of coal taxation in Montana, reducing tax overlap and improving the predictability of tax projections;

(d) recognize the economic, transportation, and environmental advantages of electrical generation by modern electrical generation plants near coal mines; and

(e) accomplish the purposes of this subsection (2) by establishing categories of taxation that recognize the unique character of coal, as well as the variations found within the coal industry, and by encouraging the use of coal to produce electricity in modern generating plants near the coal mine.

History: **En. 84-1312 by Sec. 1, Ch. 525, L. 1975; R.C.M. 1947, 84-1312; amd. Sec. 1, Ch. 608, L. 1987; amd. Sec. 1, Ch. 399, L. 2001.**

15-35-102. *(Temporary)* **Definitions.** As used in this chapter, the following definitions apply:

(1) "Agreement" means a signed contract that is valid under Montana law between a coal mine operator and a purchaser or broker for the sale of coal that is produced in Montana.

(2) (a) "Base consumption level" for a purchaser, except as provided in subsection (2)(b), applies only for the term of an agreement in effect as of December 31, 1984, and means the lesser of:

(i) the volume of coal purchased during calendar year 1986 from all Montana coal mine operators; or

(ii) the greater of: